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**CARRIER OBLIGATIONS IN THE IMPLEMENTATION OF AB 546 AND ARRA
FOR SMALL EMPLOYERS SUBJECT TO NEVADA CONTINUATION**

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA). Portions of ARRA provide for premium reductions and additional election opportunities for health benefits under the Consolidated Omnibus Budget Reduction Act of 1985, commonly called COBRA. On December 19, 2009, ARRA was amended to extend the COBRA subsidy eligibility by two months, so that it would end on February 28, 2010 and to extend the period of the COBRA subsidy from nine to 15 months. On March 2, 2010, the Temporary Extension Act of 2010 was signed into law, which further extends the COBRA subsidy eligibility period to March 31, 2010.

Under ARRA, as amended, eligible individuals pay only 35 percent of the COBRA premium and the remaining 65 percent is reimbursed to the coverage provider (such as an insurance company, HMO or other plan) through a tax credit. The premium reduction applies to periods of health coverage beginning no later than March 31, 2010 and lasts for up to 15 months.

Many Nevada employees work for employers that are not subject to COBRA, because the employer has less than 20 employees. However, those employees may utilize the Nevada continuation law. Nevada continuation law provides for continuation of health coverage that is comparable to COBRA and, thus, ARRA applies to employees of Nevada employers that employ fewer than 20 employees.

Payment of Nevada Continuation Premium

Nevada Assembly Bill 546 (AB 546) became effective on June 3, 2009. AB 546 limits the amount of premium required to continue coverage to not more than 110 percent of the premium charged to the employer by the carrier. The premium must be paid by the former eligible employee, or dependent thereof, to the carrier on a monthly basis. While employers subject to COBRA continuation are responsible to pay 65 percent of the COBRA premium and then seek reimbursement as a payroll tax credit, employers subject only to Nevada continuation provisions do not have a similar responsibility. Rather, ARRA requires the

carriers to pay 65 percent of the continuation premium for employees eligible for Nevada continuation.

Under Nevada continuation law, a former eligible employee, or dependent thereof, is required to remit 35 percent of the continuation premium to the carrier. The 35 percent payment must be considered payment in full and coverage may not be terminated for insufficient payment, unless the former employee fails to pay the entire 35 percent of the continuation premium to the carrier. Nevada continuation provides for a 30 day grace period for the payment of continuation premiums. The grace period applies to the 35 percent payment.

To ensure that former employees on Nevada continuation receive the premium reduction under ARRA, carriers should directly bill and collect Nevada continuation premium from the former eligible employee, or dependent thereof. Additionally, to prevent unintended cancelation of coverage, former employees on Nevada continuation should be included, for informational purposes only, on employers' insurance billing statements (list bill) to make certain the employer, producer or prospective new carrier is aware of any former employee covered under Nevada continuation.

Notification and Premium Payment Requirements Pursuant to NRS 689B.246

- The employee, spouse or dependent child has 60 days after becoming eligible to notify the employer he/she is eligible to continue coverage.
- The employer has 14 days to provide the election notice and information regarding the cost to continue coverage (premium) to the employee after receiving the notification from the employee.
- The employee has 60 days after receiving the election notice from the employer, to notify the carrier of his/her election to continue coverage and pay the required premium to the carrier.

Please direct any questions about Nevada continuation to the Nevada Division of Insurance's Life and Health Section in Carson City, Nevada at (775) 687-4270. Additional information regarding Nevada continuation is available on the Web site of the Nevada Division of Insurance at www.doi.nv.gov/scs/cobra.aspx. Information regarding COBRA is available on the Web site of the United States Department of Labor at: www.dol.gov/ebsa/newsroom/fscobrapremiumreduction.html.


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